



**STATE TREASURER'S  
ANNUAL SUMMARY  
ON THE FINANCIAL  
CONDITION OF THE STATE OF  
LOUISIANA FOR THE FISCAL  
YEAR ENDED JUNE 30, 2001**

*Prepared by:*  
John Neely Kennedy  
*State Treasurer*

*For:*  
The Honorable M. J. "Mike" Foster, Jr.  
*Governor*

The Members of the Legislature  
and the People of Louisiana





## TREASURER'S LETTER



To: The Honorable M.J. "Mike" Foster, Jr., Governor of Louisiana,  
The Members of the Legislature, and  
The People of Louisiana

Compiling a report of the programs, operations and accomplishments of the State Treasury for the year 2001 cannot be completed without mentioning the life-altering events that took place on September 11.

The day terrorists chose to attack our country is one that will live forever in our memory. It was also a day that changed the way we live and work in the United States and in Louisiana.

This annual report is published in honor of those who continue to fight for our freedom.

In it you will find detailed information about the State's tobacco sale, the status of our retirement systems, cash flow and investments.

We will update you on our continued anti-terrorism efforts—the goal of which is to keep potential terrorist ties out of public funds. We'll also give you information on the performance of the Louisiana Education Quality Trust Fund, the record-breaking year we had in our Unclaimed Property Division, and new initiatives in the works at the Treasury.

We ask you to accept this annual report as a tribute to all U.S. citizens affected by the events of September 11. We honor them with the work we did this past year, and we will continue to honor them with our work in the years ahead.

Sincerely,

John Neely Kennedy  
*State Treasurer*



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## ★★★ ABOUT THE ANNUAL REPORT

Each year, the Treasury submits an annual summary on the financial condition of the State to the Governor and the Legislature before the start of the regular legislative session.

For the second year in a row, we published our annual report completely on the Internet in order to save taxpayers thousands in printing and mailing costs.

We distributed the *State Treasurer's Annual Summary on the Financial Condition of the State of Louisiana* to the Governor and Legislature via email, and the general public can view and download it at our Web site, located at [www.latreasury.com](http://www.latreasury.com).

Our goal in providing the information in this report is to show how the Louisiana Department of the Treasury works to do the best job possible to manage the State's investments.

## ★★★ STATE TREASURER'S OVERVIEW

State Treasurer John Kennedy is a constitutional officer and a statewide elected official who serves a four-year term. Treasurer Kennedy serves as the State's banker and chief investment officer and is responsible for the prudent management of state funds.

Treasurer Kennedy manages the State's cash flow on a budget in excess of \$13.9 billion in 2001. He also manages money from bond sales, securities and other collateral.

Treasurer Kennedy is in charge of locating unclaimed property and making every effort to return it to the public, including assisting any citizen with a claim, without charging a fee. Since the Unclaimed Property Program was turned over to the Department on July 1, 2000, Treasurer Kennedy has returned \$8.8 million in unclaimed property to its rightful owners.

Treasurer Kennedy oversees the Louisiana Education Quality Trust Fund portfolio of \$908.6 million, which generated \$66.2 million in investment earnings for fiscal year 2000–2001.

Treasurer Kennedy manages a general fund portfolio with an average daily investment of \$2.3 billion, which generated \$120.5 million in investment earnings for fiscal year 2000–2001.

Treasurer Kennedy is a member of the State's four retirement system boards, which oversee approximately \$19.7 billion in state retirement funds.

Treasurer Kennedy is chairman of the State Bond Commission, which is composed of elected officials, legislators and the commissioner of administration. The commission accepts bids and sells bonds on the Internet and approves all debt issued by the State, political subdivisions, state agencies and local governments.

Treasurer Kennedy is an ex-officio member of 18 boards and commissions and serves on a number of special committees and commissions.

## ★★★ | TOBACCO BOND ISSUE

Under the direction of the Treasury, Louisiana went to market on October 31, 2001 to sell 60 percent of its tobacco settlement revenue bonds and netted \$1.2 billion. More than \$917 million of the money went into the Millennium Trust Fund to benefit healthcare, education and the TOPS scholarship program. Additionally, Louisiana public school systems received more than \$106 million from the tobacco sale and another \$50 million went into the fiscal year's operating budget for education and healthcare. The State also put more than \$103 million into a liquidity reserve as required by law. This money will be used to pay tobacco bonds more quickly, and the Millennium

Trust Fund is entitled to get this money back with interest after the bonds are paid.

The State earned 53 cents on the dollar in the sale, which was favorable in comparison to recent state tobacco issues including South Carolina, which received 50.9 cents on the dollar, and Iowa, which received 50.8 cents.

The financing was accomplished through the Tobacco Settlement Financing Corporation, a special purpose public corporate entity, independent from the State and created for the specific purpose of issuing bonds secured by the tobacco settlement revenues.

## ★★★ | THE LOUISIANA ECONOMY

"The Louisiana Economic Outlook 2002–2003," prepared by Drs. Loren C. Scott, James A. Richardson and A. M. M. Jamal, offers a helpful, in-depth review of the State's economy and forecasts the next several years.

Here are some of the specific highlights detailed in the report:

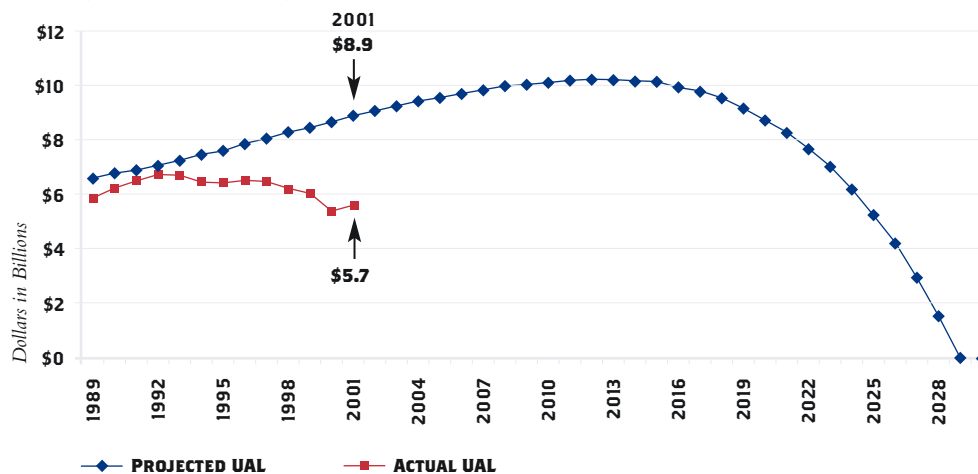
- The Louisiana economy will experience less growth than what would have occurred if the September 11 events had not happened, principally in the last four months of 2001 and the first half of 2002.
- Uncertainty will slow consumer and business spending until at least the end of 2001. This will reduce real gross domestic product in the second half of 2001 and the early part of 2002. The national economy is expected to grow at a slower rate and this slower growth of the national economy will filter through to the Louisiana economy.
- Louisiana's non-agricultural employment was projected to rise by 62,900 workers over 2002–2003. As a result of the events of September 11, the projected new jobs for 2001 have been reduced by 6,100 jobs, and the 2002 estimate has been reduced by 12,000 jobs. No alteration has been made in the 2003 estimate.
- Oil and gas extraction should add 2,700 jobs over 2002–2003. The events of September 11 should have no impact on this sector because market fundamentals remain the same.
- Chemical industry employment may drop more than the 800 jobs projected because of weaker global and national demand for chemicals in the near term.
- Total manufacturing employment was expected to remain flat over the next two years but is now expected to decline in 2002 and then hold steady in 2003.

## ★★★ STATE RETIREMENT SYSTEMS

The Treasurer, by state statute, serves as an ex-officio voting member of each of the four state retirement system boards of directors. Those systems are the State Teachers, State Employees, State School Employees and the State Police. The combined assets of the four systems at the fiscal year ended June 30, 2001 were \$19.7 billion with a total participating membership of 264,947. Each system has a board of trustees with a membership consisting of both elected representatives and ex-officio members. The board's elected members combine elected representatives of both active and retired memberships of each system. The combined Unfunded Accrued

Liability (UAL) for the state retirement systems at June 30, 2001 totaled \$5.7 billion. The UAL is the amount of dollars the State is expected to pay to retirees in the future over and above the amount of the current resources of the retirement systems. The June 30, 2001 actuary valuations of the respective systems reflect the actual UAL well under the projected UAL numbers for the fiscal year ended June 30, 2001. The reports reveal that all four state retirement systems are *maintaining the better than expected* funding progress since the Louisiana Constitution was amended in 1988 to require funding on an actuarially sound basis.

**PROJECTED VS. ACTUAL UNFUNDED ACCRUED LIABILITY (LASERS, TRSL, SPRS)**



Source: Hall Actuarial Associates, June 30, 2001.

### Retirement Security

The Louisiana Department of the Treasury's Social Security Division is responsible for administering the Section 218 Social Security and Medicare coverage program for all public governmental employers throughout the State of Louisiana.

The Division serves as a facilitator between employers and the U.S. Social Security Administration (SSA) and Internal Revenue Service (IRS). The SSA and IRS are the two principal federal agencies responsible for coverage, benefits and tax withholding associated with Social Security and Medicare.

When the Social Security Act was enacted in 1935, public employees were not eligible for Social Security coverage. This was due to a constitutional question regarding the federal government's power to tax state and local governments. Consequently, many government employees were without a retirement plan.

Beginning in 1951, Section 218 of the Social Security Act authorized states to voluntarily elect Social Security coverage for certain public employees who were not already covered under a retirement plan.

These federal-state agreements, often referred to as Section 218 agreements, were entered into with the Social Security Administration.

Treasurer Kennedy is an advocate for preserving public employee retirement plans, especially for those who are not covered under Social Security. Mandating public systems to participate in Social Security when they choose not to would jeopardize the financial stability of the systems and would adversely impact the benefits that the participants receive. Fourteen states, including Louisiana, have opted to cover substantial numbers of their employees under independent plans rather than Social Security. Most teachers, firefighters and police officers are covered by independent plans in lieu of Social Security.

These public employees will not be eligible for Social Security or Medicare benefits unless they have paid into Social Security elsewhere. Rather, they are dependent upon the solvency of the independent retirement plan that they have participated in as public employees during their working career.

For information, visit [www.latreasury.com/ss.htm](http://www.latreasury.com/ss.htm).

## ★★★ UNCLAIMED PROPERTY

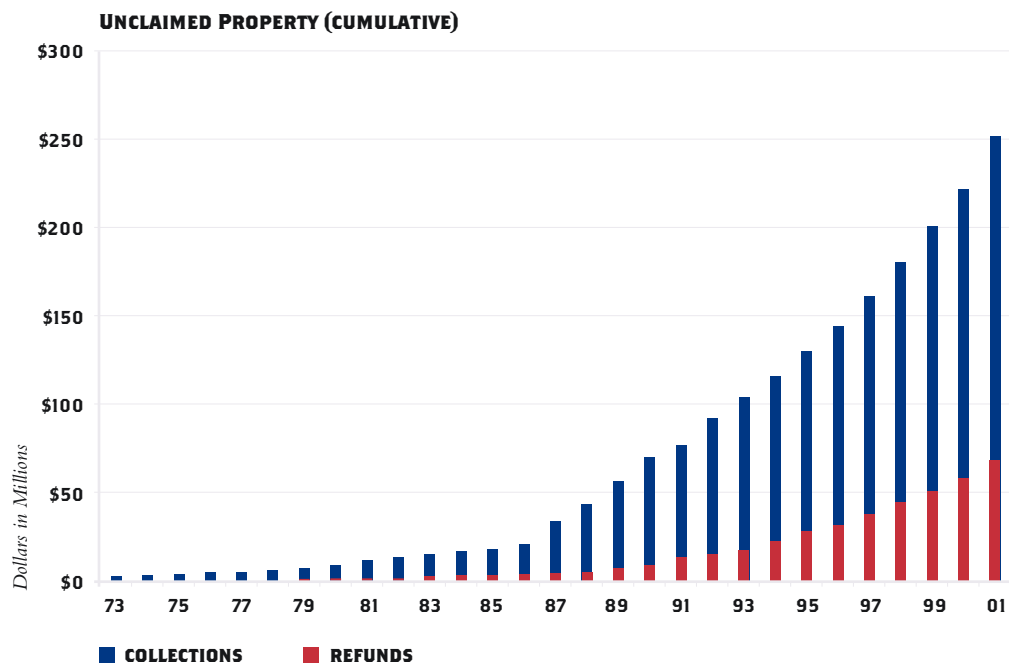
The Louisiana Department of the Treasury's Unclaimed Property Division is responsible for finding owners of unclaimed, intangible personal property that has been turned over to the State. This includes payroll checks, checking and savings accounts, royalties, utility deposits, interest, dividends, stock certificates and life insurance proceeds.

One in six people in Louisiana has unclaimed property listed with the State, and the average amount is \$200 to \$300, although some amounts are in the thousands, even millions. There is no fee for collecting unclaimed property through the Louisiana Department of the Treasury, and there is no expiration date for making a claim.

With the support and assistance of the Louisiana Legislature, and because of continued efforts to increase the public's awareness about the program, the State has returned over \$67 million since the unclaimed property law was passed in 1972. The Department had a record-breaking year in 2001 by returning \$8.8 million to Louisiana citizens. In addition to processing

more than 15,000 unclaimed property refunds this past year, the Department collected more than \$31 million in unclaimed property from businesses and organizations across the State. This included \$3.9 million from the ACS Unclaimed Property Clearinghouse, \$1.9 million from Bank One, and \$1.6 million from State Farm. The Treasury credits the increase in collections to its efforts to spread awareness about the program, which include informing businesses of their responsibilities to the State.

In an effort to return even more money to Louisiana citizens, the Unclaimed Property Division expanded its toll-free number nationwide, and now citizens across the United States can see if the state is holding their money by calling 1-888-925-4127. The Division also created a more user-friendly Web site address: [www.latreasury.com](http://www.latreasury.com). In 2002, the Department will announce a new interactive feature on the Web site's unclaimed property search page that enables citizens to file claims online. Other new Web features include automatic online searches and email notifications of new unclaimed property.



★★★ | **CASH FLOW AND INVESTMENTS**

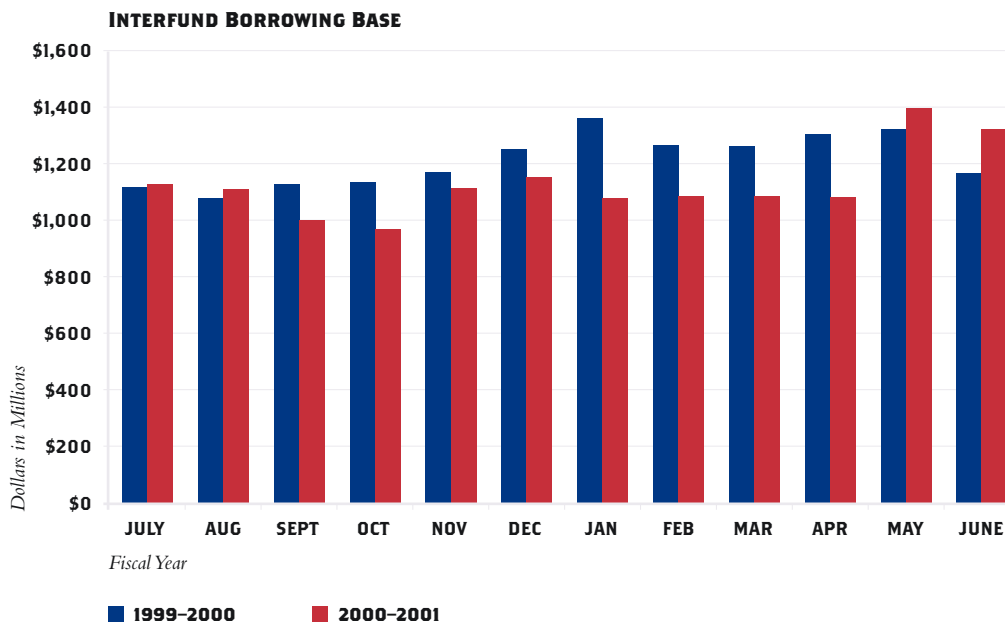
The cash deposited into the General Fund and the cash disbursed from the General Fund vary month-to-month during the fiscal year. The Legislature has provided a way to ensure that the State pays its obligations timely during the months where the cash disbursed from the General Fund exceeds the cash deposited into the General Fund. This is called interfund borrowing. The General Fund temporarily borrows cash from a group of special funds in the Treasury. The total cash balance in these special funds is called the interfund borrowing base.

The Interfund Borrowing Base chart depicts the total cash available for borrowing by the General Fund as of the end of each month of the fiscal year. As depicted, the General Fund has a large pool of cash available each month to meet its cash borrowing needs.

The General Fund Month-End Cash Balance chart depicts the cash balance of the General Fund at the end of each month. Icons on the line graph below the \$0 line reflect the amount of cash borrowed by the General Fund at the end of the month. Icons above the \$0 line reflect that the General Fund has a cash balance; thus, no interfund borrowing is required at the end of that month.

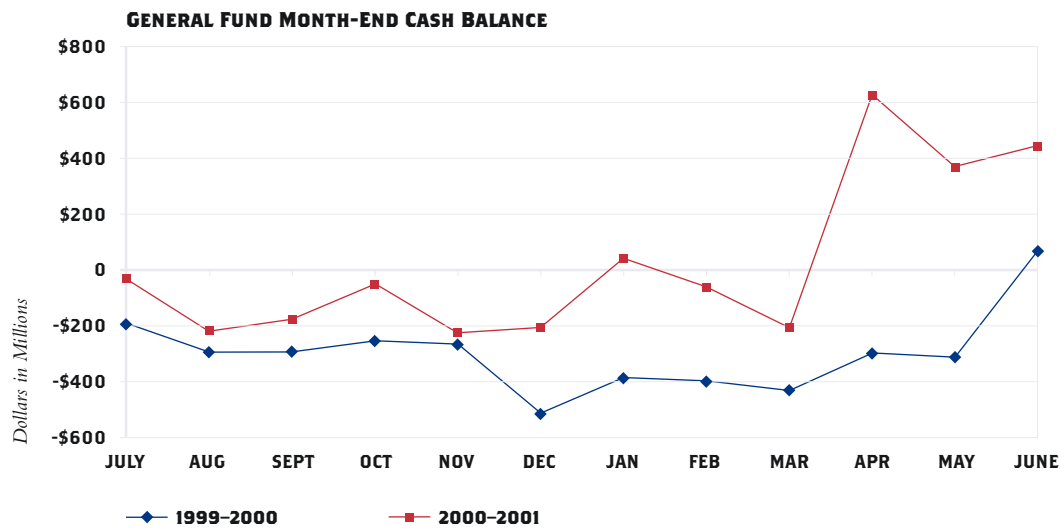
The legislation authorizing interfund borrowing requires that all borrowing be repaid by the close of the fiscal year. This requirement ensures that the General Fund does not spend money it will not collect in that fiscal year.

The Treasury monitors the State's cash position on a daily basis. The information gained from this monitoring is linked to the State's investment program, which assists the Treasury in gaining the highest available rate of return on its cash resources.



Source: Advantage Financial System (AFS), the State's centralized accounting system.

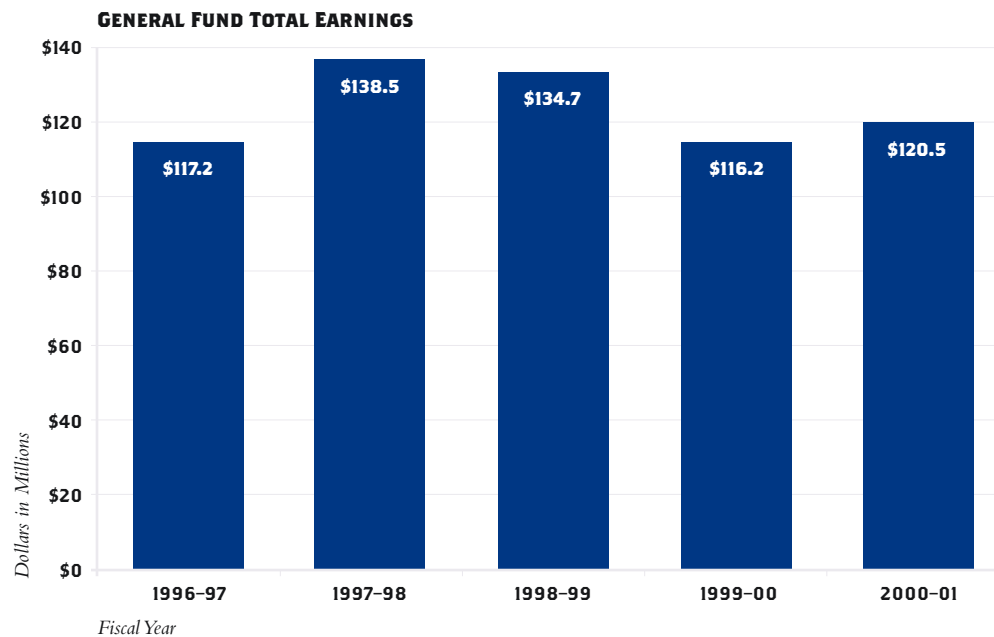
## ★★★ CASH FLOW AND INVESTMENTS



Source: Advantage Financial System (AFS), the State's centralized accounting system.

For fiscal year 2000–2001, the Treasury earned \$120.5 million on its investments for the General Fund.<sup>1</sup>

These earnings represent a 5.22 percent return on the average assets available for investments during the fiscal year.<sup>2</sup>



Source: Advantage Financial System (AFS), the State's centralized accounting system.

<sup>1</sup> Advantage Financial System (AFS), the State's centralized accounting system.

<sup>2</sup> Calculation prepared by the Louisiana Department of the Treasury.

## ★★★ | STATE TREASURY'S ANTI-TERRORISM EFFORTS

State Treasurer John Kennedy joined the NASACT Commission on Economic Terrorism, a national anti-terrorism committee that is working to push for the nationwide divestiture of all investments of public money in businesses, financial institutions, governments, non-profits and individuals with links to terrorist groups or activities. The committee has met with the U.S. Treasury to plan how states can uncover and sever any terrorist ties to state and local government investments.

The U.S. Treasury provided commission members with a list from its Office of Foreign Assets Control that details terrorist organizations and individuals. The list is also available to the public online, and Treasurer Kennedy distributed electronic copies of it to each of the State's retirement system directors.

The commission's next steps include working with U.S. Treasury officials to make the Securities and Exchange Commission's confidential list of individuals and entities

with links to terrorist groups or activities available to state treasurers and public finance officers. The commission hopes to make significant progress in its anti-terrorism efforts once a mechanism is in place that is compatible to state investments and retirement system funds. The commission is relying on the Bush Administration to supply the information needed to do its part in the financial war against terrorism.

Future goals of the anti-terrorism commission include curtailing the flow of dollars to companies or countries supporting terrorism, exploring how technology can aid these efforts, discovering terrorist links at the transaction level, and reviewing foundation monies held by banks. The commission consists of financial leaders from Louisiana, New York, Pennsylvania and Texas, as well as members of the National Association of State Auditors, Comptrollers and Treasurers (NASACT), the National Association of State Retirement Administrators, and the National Council on Teacher Retirement.

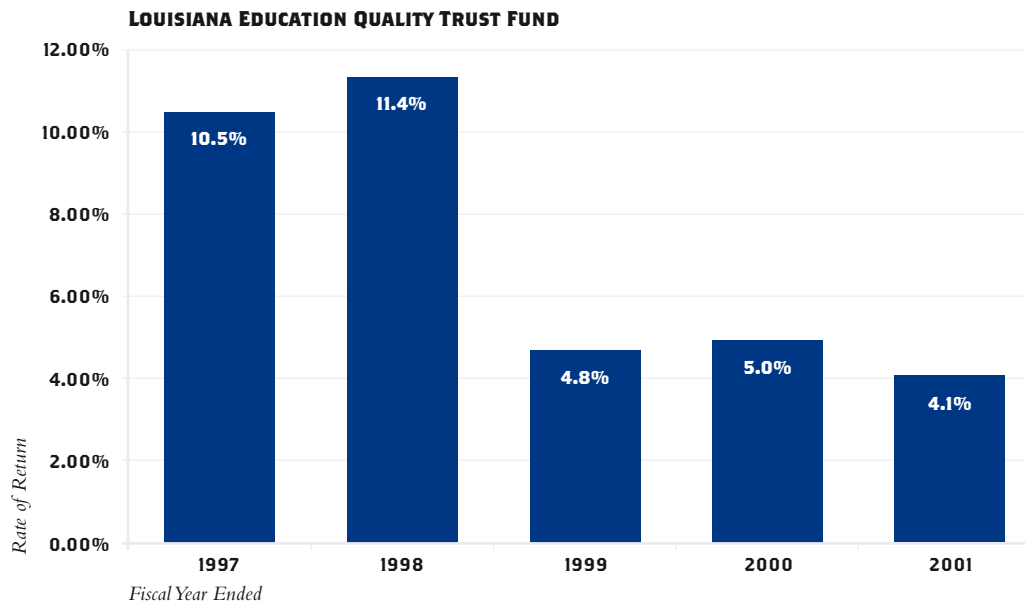
★★★ **LOUISIANA EDUCATION QUALITY TRUST FUND**

The fixed-income and equity investments of the Louisiana Education Quality Trust Fund (LEQTF) earned a 4.1 percent total rate of return for fiscal year 2000–2001.<sup>3</sup> Total return is a time-weighted measure of actual income received during the year, plus accrued income and any change in the price of portfolio securities and cash at the end of each year.

Act 802 of the 1990 Regular Session of the Legislature requires that investment earnings of the LEQTF be measured against the two-year U.S. Treasury Note

and the 30-day U.S. Treasury Bill. Actual average maturity of the portfolio may vary with market conditions. All performance numbers are expressed in total return as measured at the end of each period. Total performance returns are calculated by an independent consultant.

For the fiscal year, which ended June 30, 2001, the LEQTF earnings provided \$66.2 million<sup>4</sup> in additional funding for classroom computers, teacher training, matching grants and research at our universities.



★★★ **MEDICAID TRUST FUND FOR THE ELDERLY**

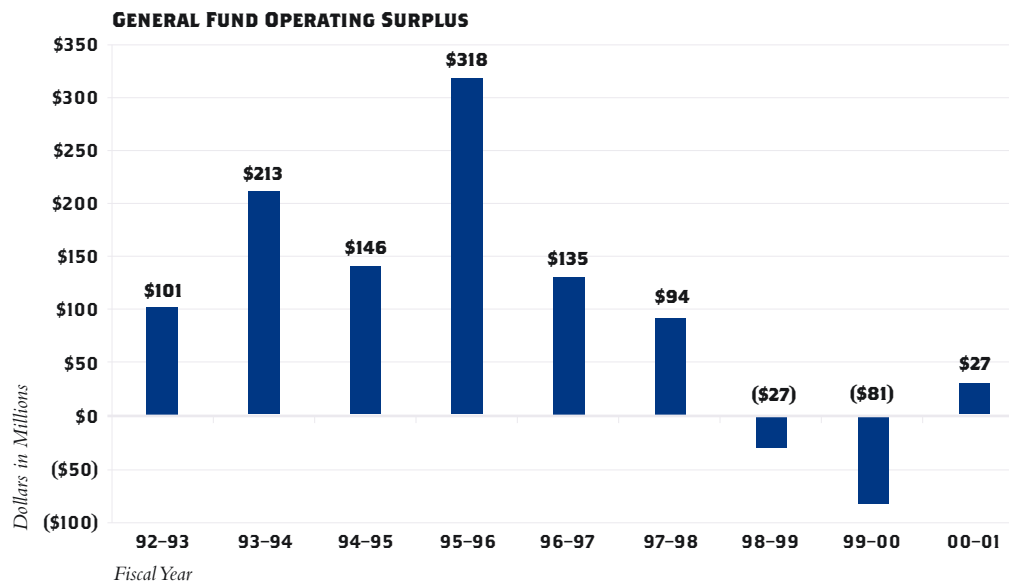
Act 143 of the First Extraordinary Session of the Legislature of 2000 established the Medicaid Trust Fund for the Elderly in the State Treasury. This legislation also authorized an intergovernmental transfer program between the U.S. Department of Health and Human Services and the Louisiana Department of Health and Hospitals

(DHH) where the Fund's interest earnings are used as state matching dollars to obtain federal funds for healthcare. To implement the program, Treasury, DHH and participating nursing homes entered into cooperative endeavor agreements. As of December 31, 2001, the Medicaid Trust Fund had reached over \$529 million.

<sup>3</sup> LEQTF Annual Report, June 30, 2001; page 5.

<sup>4</sup> LEQTF Annual Report, June 30, 2001; page 3.

★★★ | BUDGET AND STATE SPENDING



According to the “Louisiana Comprehensive Annual Financial Report for the fiscal year ended June 30, 2001” (CAFR), revenues from all sources (including federal funds and fees) grew by \$1.9 billion or 14 percent compared to last fiscal year. Significant growth occurred in individual income tax due, in part, to limiting excess federal itemized personal deductions one-half the amount exceeding the federal standard deduction. Growth also occurred because of the suspension of most exemptions to the state sales tax at a 1 percent tax rate.

The actual net taxes, licenses and fee revenues for fiscal year 2000–2001 were \$6.5 billion as compared to the official forecast of the Revenue Estimating Conference of \$6.3 billion. The Revenue Estimating Conference at its September 20, 2001 meeting recognized \$185.5 million as excess revenues. These revenues were transferred by the Treasury to the Deficit Elimination/Capital Outlay Escrow Replenishment Fund. This Fund is designated for funding the deficit of the State Group Benefits program, satisfying debt owed by the Health Care Services Division of LSUHSC, and funding capital outlay projects contained in Act 22 of the 2001 Regular Session of the Legislature.

For fiscal year 2000–2001, as reflected in the CAFR, Louisiana’s undesignated/unreserved general fund balance was \$27.2 million. As can be seen on the chart above, it was the first year in two years that the general fund reported a positive balance.

When the Revenue Estimating Conference recognizes the undesignated fund balance, 25 percent will be transferred to the State’s Rainy Day Fund. This transfer will increase the Fund to over \$200 million.

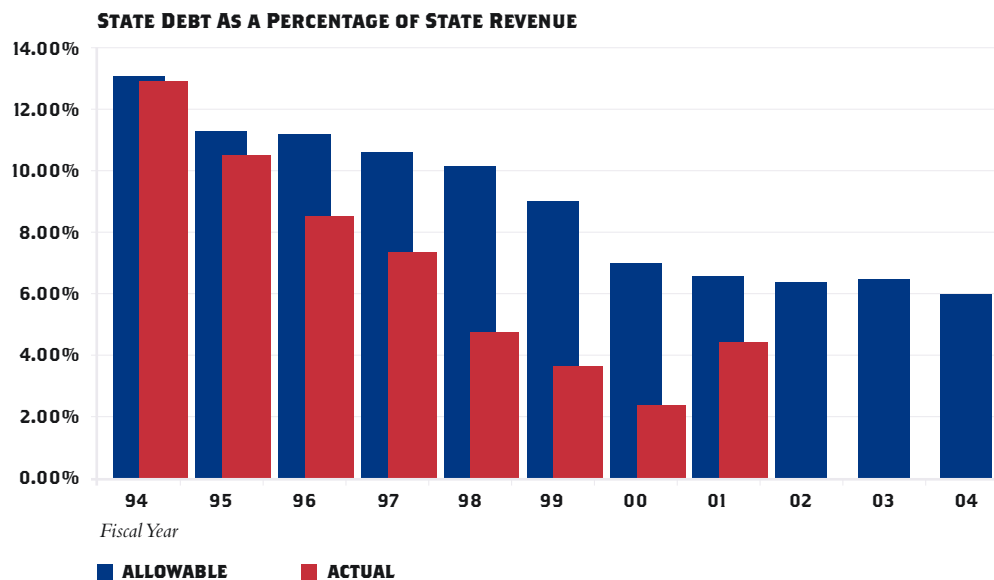
General government expenditures have grown in all major functions over the last 10 years. This expenditure growth is most significant in general government and education. Gaming revenues are a significant source of funding state expenditures. Since fiscal year 1993–1994, the State Lottery has contributed over \$950 million to elementary and secondary education (the Minimum Foundation Formula). In addition, riverboat and video draw poker revenues have contributed over \$400 million to the State over the past four years.

Although Louisiana has made significant improvements in its fiscal management, our state tax revenue base continues to grow more slowly than our economy, and the amount of state expenditures continue to cause uncertainty as to year-end general fund balances.

## ★★★ STATE DEBT

Louisiana's debt picture has improved significantly over the past nine years primarily due to a 1993 constitutional amendment adopted by the people of Louisiana that caps the amount of debt the State can issue each year so that from 2003 and on, the State is prohibited from spending more than 6 percent of its income on debt service. Voters gave the State 10 years to wean itself off its debt and reach that 6 percent limit.

According to the "Louisiana Comprehensive Annual Financial Report for the fiscal year ended June 30, 2001," debt service as a percentage of state revenue was 4.13 percent as compared to the 7.0 percent allowed by statute for fiscal year 2000–2001. The chart below shows the debt limits voted in 1993 as compared to the actual debt outstanding during subsequent fiscal years.



In February 2002, the State sold \$252,470,000 in general obligation bonds to finance capital outlay projects for various purposes including higher education, transportation, non-state entities, local government, flood control and ports, public

safety and corrections, judiciary, general government, culture, recreation and tourism and elected officials. These bonds were sold competitively via the Internet at a cost of 4.676 percent.

## ★★★ STATE CREDIT RATING

The three nationally recognized credit rating agencies—Fitch, Moody's Investors Service and Standard & Poor's have continued to assign credit ratings of A, A2, and A, respectively, to the State's bonds.

The rating agencies continue to cite the State's efforts to match expenditures to rev-

enues and to establish a Rainy Day Fund. The agencies indicate that the State has shown improvements but that the ratings reflect the State's cyclical economy; below-average personal income levels; tight financial outlook; and moderate, although declining, debt burden.<sup>5</sup>

<sup>5</sup> Standard & Poor's

### ★★★ RAINY DAY FUND

The Rainy Day Fund, approved by the voters as a 1998 constitutional amendment, provides for creating a savings account to meet future emergency funding needs. The cash balance of the Rainy Day Fund grew during the fiscal year ending June 30, 2001, from \$59 million to \$196.7 million. This growth came mainly from two sources—

\$23.2 million from the land based casino and \$109.7 million from the excess mineral reserves over a base amount of \$750 million.

The objective is to grow the Rainy Day Fund to provide a means to stabilize recurring revenues each fiscal year to avoid budget cuts that adversely affect government services to the citizens of the State.

### ★★★ THE E-TREASURY PROJECT

Technology enables state agencies to free itself from day-to-day tasks in order to have time to focus on more important things, especially Louisiana citizens. The State Treasury continues to push a large portion of its services onto the Internet in order to benefit the public. Using technology, we at the Treasury are doing the following:

- Listing more than 400,000 names online on our Web site's unclaimed property search page. In 2002, the Treasury will publicly announce a new interactive web page where citizens can search for unclaimed property and file a claim for their money completely on the Internet.
- Accepting electronic bids on state bonds on the Internet and selling millions in state bonds online. Also, for the first time in the Treasury's history, State Bond Commission agendas are available to the public online. The Department has also developed a way to automatically email Bond Commission agendas monthly to individuals signing up for the service.
- Accepting online bids for state investments including certificates of deposits. Treasury conducted one CD auction this fiscal year, placing a total of \$13 million with Louisiana banks.

- Developing uniform standards for accepting credit cards from state agencies. This year, Treasury began accepting American Express, and in 2002 the Department will be able to accept the Discover Card.
- Launching a new Web site for the Louisiana Asset Management Pool (LAMP) that provides secured online account access 24 hours a day, seven days a week. The new site also provides rate information for participants that is updated daily. Those interested in joining LAMP can download an application from [www.lamppool.com](http://www.lamppool.com).

#### E-Mall

Treasury assisted the Office of Electronic Services in the grand opening of the State's one-stop shopping mall on the Internet. The online mall, which is accessible from the State of Louisiana's Web site at [www.state.la.us](http://www.state.la.us), contains publications, licenses, registrations, business incentives, tax filings, maps and information on recreation and tourism in Louisiana.

The Louisiana Asset Management Pool (LAMP) is a cooperative endeavor that combines the efficiency of private enterprise with the protection of public policy. LAMP allows local officials to pool public funds and benefit from money management dedicated to preservation of principal, daily liquidity and a competitive rate of return. This level of investment management service is only otherwise available to large institutional investors.

LAMP is managed by Louisiana Asset Management, Inc., a Louisiana non-profit corporation, whose board of directors is elected annually by participants. The board of directors consists of 14 participants and Treasurer Kennedy. Treasurer Kennedy serves as President of the LAMP, Inc. Board of Directors.

Municipalities, parish governments, school boards, levee boards, sheriff departments, district attorneys, utility districts, local government units and other political subdivisions are eligible to enroll in LAMP and enjoy all program benefits.

LAMP reached a milestone during the first quarter of 2001 as its assets grew significantly—over \$273 million. LAMP's total assets also passed the billion-dollar mark. As of December 31, 2001, LAMP had 425 participants and over \$1.1 billion under its management.<sup>6</sup>

Even though LAMP's assets increased, its fees decreased. Due to the combined efforts of LAMP's membership, board and staff, total fund fees were reduced from 19.75 basis points to 13.75 basis points, a 30 percent decrease.

LAMP continues to earn a Standard & Poor's rating of AAAM, the highest designation available.

#### **LAMP's Investment Guidelines were revised twice for 2001.**

Effective August 1, 2001, LAMP funds can be invested in government-only money market funds. Any such money market investment will be limited to no more than 35 percent of the total assets of LAMP and no more than 10 percent can be invested in any single money market fund at any time. The amended guidelines only allow the purchase of government-only money market funds rated AAAM by Standard & Poor's. Thus, the investment restrictions of the money markets LAMP will be permitted to invest in under this amendment match the investment restrictions of LAMP.

Effective October 1, 2001, in accordance with Act 701 of the 2001 Regular Legislative Session, LAMP funds can be invested in commercial paper of domestic U.S. corporations rated A-1 or A-1+ by Standard and Poor's. The Executive Committee and Board restricted any such A-1 or A-1+ commercial paper investment to no more than 50 percent of the total assets of LAMP, no more than 5 percent of the assets in any one issuer, and no more than 25 percent of the assets in any one industry, except banking. Additionally, the amended guidelines require that when an A-1 or A-1+ investment is placed on a watch list with negative implications by a rating agency, the advisor is required to sell the investment as soon as practical, but no later than 30 days.

For more information, LAMP's new and improved Web site can be viewed at [www.lamppool.com](http://www.lamppool.com).

<sup>6</sup> LAMP statistics are for calendar year 2001.

### **Bank at School**

Louisiana schoolchildren are learning how to manage their money through a hands-on program known as Bank at School. The program, which is a cooperative effort between the Louisiana Department of the Treasury and the Louisiana Young Bankers Association, lets children open savings accounts at school (with as little as \$.50).

Participating schools hold grand opening ceremonies each time a bank opens, and teachers give monthly lessons on money management once the bank is in operation. The program is targeted toward fourth-graders through sixth-graders.

### **Stock Market Game**

The Louisiana Department of the Treasury and the Louisiana Council for Economic Education have formed a new partnership to work together on the Stock Market Game. Participating schools set up teams to invest a hypothetical \$100,000 in the stock market either online or in a local newspaper.

The Louisiana Council for Economic Education and financial institutions throughout the State host workshops in the fall and spring for teachers who wish to participate in the program.

Teachers participating in the program instruct their students on issues dealing with the stock market, the world market and banking. The program is targeted toward seventh-graders through twelfth-graders and is a great way for teachers to give their students hands-on experience in money management.

### **Jump\$tart Coalition for Personal Financial Literacy**

The Louisiana Department of the Treasury is proud to be a member of the Jump\$tart Coalition for Personal Financial Literacy. The coalition is made up of individuals from the private and public sectors who come together to support personal financial literacy for each child in Louisiana.

### **START**

The Louisiana Department of the Treasury works with the Office of Student Financial Assistance to manage the Student Tuition and Revenue Trust (START) program. The Treasury is responsible for investing START funds to help parents, grandparents, other family members, friends, businesses and benefactors who want to save money for a child's expenses at any approved university, vocational-technical school or community college.

This past year, new state and federal legislation made the START program better than ever. The program is now tax-free from start to finish and individuals can exempt up to \$2,400 in deposits per account per year from income reported on their state tax returns. If an individual does not take the full \$2,400 in one year, he or she can carry unused portions forward to subsequent years.

It only takes \$10 to open a START account. The program offers a competitive rate of return and state matches on most contributions. If the child is a family member, the State will match a portion of deposits into a START account—from 2 percent to 14 percent—depending upon the family's adjusted gross income. If the child is not a family member, the State will still provide a 2 percent match if the child is a Louisiana resident.

## ★★★ | ECONOMIC EDUCATION

More Louisiana citizens are using START to plan ahead for the rising costs of higher education as evidenced by an increase in contributions and participants in the program.

START closed the year with \$3.7 million in new contributions and 1,608 new accounts, compared to \$1.4 million in new contributions and 601 new accounts opened in 2000.

This recent influx of new participants brings the total number of accounts to 4,307 with a total fund balance of contributions of \$7.5 million.<sup>7</sup>

For more information on the START program, visit [www.latreasury.com](http://www.latreasury.com) and click on “START,” or call the Office of Student Financial Assistance toll-free at 1-800-259-5626, ext. 1012.

## ★★★ | NEW INITIATIVES

### **New and Improved Agency Web site**

New initiatives in the works at the Treasury include a brand-new Web site with an easier-to-remember home address: [www.latreasury.com](http://www.latreasury.com). The new site boasts online State Bond Commission agendas and online claim forms for individuals who want to collect unclaimed property listed with the State. The new site also has a function for citizens who want to be notified automatically via email when new unclaimed property is turned over to the State.

The Web site also includes a list serve where individuals can elect to be automatically updated each month on State Bond Commission activities.

### **Louisiana Teachers HomeBuyer Program**

In just three days, the Louisiana Teachers HomeBuyer Program was able to allocate \$10 million in teacher home loans to 84 teachers statewide. The program, which was a cooperative effort among the State Treasury, Hibernia National Bank and Fannie Mae, was made possible through a \$10 million investment in mortgage-backed securities from the State’s Education Quality Trust Fund. Because this was a one-time investment, however, joint efforts are underway to explore additional funding sources to extend the teacher program.

At press time, Governor Foster and Treasurer Kennedy were working to find ways to further fund the program. In addition, Hibernia National Bank was placing the names of qualified applicants on a waiting list.

The average price of a home purchased with the program was \$136,720. For more information, visit [www.latreasury.com](http://www.latreasury.com).

<sup>7</sup> START program statistics are for calendar year 2001.

## ★★★ CONCLUSION

September 11 may have changed the way we live and do business in the State, but it hasn't stopped us from doing the jobs we need to do at the Treasury. Despite the tragedy that occurred, we will continue to have busy and successful years to report to both the Legislature and Louisiana citizens.

We will invest the State's money to receive the maximum rate of return possible. We will also work to return as much unclaimed property as we can to its rightful owners.

We will keep promoting Louisiana's START program as a way for parents, grandparents, other family members, friends, businesses and benefactors to save money for a child's higher education expenses. We will also continue to educate Louisiana children about financial issues and fiscal responsibility.

In closing, the Treasury will work hard to serve each and every Louisiana taxpayer to the best of our ability now and in the years to come.

## ★★★ ABOUT THE TREASURER

John Neely Kennedy was elected Louisiana State Treasurer on October 23, 1999, defeating the sitting incumbent with 56 percent of the vote. Since his first day in office, Treasurer Kennedy has vowed to treat taxpayers' money with the respect it deserves, using good judgment in every decision he makes as the chief investment officer of the State.

Treasurer Kennedy has taken several initiatives to prepare Louisiana fiscally for the new millennium. He continues to help the public recover millions in unclaimed property and money from state and federal governments. He works with other state officials, professionals and the Legislature in improving Louisiana's bond rating. Treasurer Kennedy also maximizes the investment return on state money and ensures that state agencies use prudent cash management strategies to save taxpayers money.

Prior to his position as State Treasurer, Kennedy served as Secretary of the Louisiana Department of Revenue from 1996–1999, under the appointment of Governor Mike Foster. As Secretary, he was responsible for returning more than \$22 million in unclaimed property to over 50,000 Louisiana citizens. He also made tax

time easier for all Louisiana citizens by reducing the number of forms that small businesses must file and by returning state tax refunds faster than ever before.

Treasurer Kennedy served as Special Counsel to Governor Buddy Roemer from 1988–1992 and was also Secretary to the Governor's Cabinet from 1990–1992. During this time, he was a member of the Governor's Commission on Medical Malpractice and the Secretary of State's Commission on Corporations. He is also a past member of the board of directors of the Council for a Better Louisiana and the Friends of the New Orleans Center for Creative Arts.

In the private sector, Treasurer Kennedy has worked as a partner in the Baton Rouge and New Orleans law firm of Chaffe, McCall, Phillips, Toler and Sarpy, L.L.P., where he practiced civil litigation. He received his Juris Doctorate in 1977 from the University of Virginia, where he was executive editor of the *Virginia Law Review* and inducted into the Order of the Coif. He is a first class honors graduate of Oxford University in Oxford, England, where he received a B.C.L. degree in 1979.

★★★ | ABOUT THE TREASURER

Treasurer Kennedy completed his undergraduate work at Vanderbilt University. At Vanderbilt, he was president of his senior class, elected to Phi Beta Kappa, and graduated magna cum laude in political science, philosophy and economics. He is a native of Zachary, Louisiana, and is an alumnus of Zachary High School, where he earned co-valedictorian honors in 1969.

As State Treasurer, Kennedy is chairman of the State Bond Commission, which oversees and approves all state and local governmental debt. He is chairman of the Public Retirement System Actuarial Committee, the Louisiana Housing Finance Agency and is President of the Louisiana Asset Management Pool, a non-profit corporation that works to give local governments higher returns on their money.

Treasurer Kennedy serves on 18 state boards and commissions, including the four state retirement systems, the Interim

Emergency Board, the Louisiana Tax Free Shopping Commission, the Louisiana Tuition Trust Authority, and the Louisiana Lottery Corporation. He also serves as chairman of the Old State Capitol Advisory Board and as a member of the Board of Directors of the Louisiana Workers' Compensation Corporation.

Treasurer Kennedy has published articles in the *Louisiana Law Review*, the *Tulane Law Review*, the *Louisiana Bar Journal* and the *Akron Law Review*. He serves as an adjunct professor at LSU Law School and as a substitute teacher in the East Baton Rouge Parish public school system.

Treasurer Kennedy resides in Madisonville, Louisiana, with his wife, Rebecca Ann Stulb Kennedy, who is also an attorney, and their son, Preston, who is six years old. They are members of the North Cross United Methodist Church.

★★★ | TREASURY SENIOR STAFF

*Please feel free to contact any of my staff members if we can be of assistance to you.*

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